

**MINUTES
ROCKFORD POLICE PENSION BOARD
AUGUST 18, 2016**

MEMBERS PRESENT: Jeff Nielsen, President
Marcia Mueller, V.P.
Joe Stevens, Secretary
Paul Swanberg, Assist. Secretary
Scott Laue, Trustee

ABSENT:

ALSO PRESENT: Roberta Holzwarth - Holmstrom & Kennedy
Eric Gaylord – Marquette Associates

GUESTS: Chloe Kelley – PIMCO

STAFF: Linda Wlaznik, Finance

The August 18, 2016 Rockford Police Pension Board convened at City Hall 425 E. State St., Jeff Nielsen called the meeting to order at 8:10 a.m.

Motion by Mueller and seconded by Laue to approve the July 21, 2016 minutes of the Board meeting as amended. APPROVED.

Motion by Mueller and seconded by Laue to approve the July 27, 2016 minutes of the open Board meeting for the Susan Bubik disability hearing and the Robert Cole pension for a non-duty related disability as amended. APPROVED.

Motion by Mueller and seconded by Laue to approve the July 27, 2016 minutes of the closed session Board meeting as amended. APPROVED.

PUBLIC COMMENT

NONE

CASH & INVESTMENT REPORT

Gaylord reviewed the quarterly report ending June 30, 2016 and the monthly report ended July 31, 2016. Gaylord discussed the effect of the Brexit vote on the markets. The economy continues to struggle, although inflation is under control. Gaylord stated that Piotrowski is recommending changing PIMCO's status from "Alert" to "In Compliance". Year-to-date, through July 31, 2016, the pension fund was up 6.4% net of fees. The market value of the portfolio is \$178.2 million. For July the fund was up 2.2%. Stocks rebounded in July; the demand for bonds has not dissipated. Gaylord reviewed the performance of the non-U.S. equity composite.

Motion by Mueller and seconded by Laue to approve the withdrawal of \$600,000 from Vanguard Value Index fund and \$550,000 from Kayne Anderson Rudnik for cash needs. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the corrected date listed on the agenda for the minutes of July 27. APPROVED.

Motion by Mueller and seconded by Laue to approve purchases and sales. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

CITY BILLS

Motion by Mueller and seconded by Laue to approve August City Services of \$8,875.25. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve July postage charges of \$256.74. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to HolmstromKennedyPC for general matters for June in the amount of \$1,102.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to HolmstromKennedyPC for general matters for July in the amount of \$1,260.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to HolmstromKennedyPC for annual medical reviews 2016 in the amount of \$855.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to HolmstromKennedyPC for attorney fees for services regarding the Susan Bubik disability matter in the amount of \$10,757.54 which includes \$4,140.00 for professional services and \$6,617.54 for disbursements. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Marquette Associates for investment consulting fees through October 31, 2016 in the amount of \$18,750.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Segall Bryant & Hamill for investment management fees for July 1, 2016 through September 30, 2016 in the amount of \$18,898.92. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve payment to Kayne Anderson Rudnick for investment management fees for April 1, 2016 through June 30, 2016 in the amount of \$32,368.00. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

ATTORNEY'S REPORT

Motion by Mueller and seconded by Laue to approve the finding and order as amended for Susan Bubik. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to revise the July 27, 2016 minutes previously approved to indicate on page 2, third paragraph, the section reference should be pursuant to section 3-114.2. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to hold the Susan Bubik closed session minutes and recording as permanently closed. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to keep the remaining closed session minutes relating to disabilities and other legal matters, per the attached permanently closed. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to authorize Attorney Holzwarth to file suit against Richard Forsyth regarding the police pension overpayment to Elsie Jean Forsyth. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

The board discussed the annual statement.

Motion by Mueller and seconded by Laue to approve the annual statement and the certification form required by the Department of Insurance related to the annual statement for the period ending December 31, 2015. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Attorney Holzwarth reminded the board that the Investment Policy is up for review in September.

NEW BUSINESS

Motion by Mueller and seconded by Laue to approve the military buy back of James Rossow equal to 2 years creditable service for a total contribution of \$50,173.76 through August 18, 2016. This replaces the previously approved calculation at the July 21 meeting for the buy back through July 31, 2016. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the surviving spouse pension to Jane Newcomb, surviving spouse of Harvey Newcomb effective July 12, 2016 in the amount of \$3,962.70 monthly/\$47,552.40 annually. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the first increase for Patrick Girardi in the amount of \$395.53 to \$5,187.81 monthly and an annual benefit of \$62,277.72. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the suspension of benefits to Betty White based on knowledge of her death on July 12, 2016. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

PAYROLL

Motion by Mueller and seconded by Laue to approve the estimated August payroll amount of \$1,331,069.76. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion by Mueller and seconded by Laue to approve the July actual payroll amount of \$1,388,911.38. The Board retains jurisdiction of this matter for purposes of enforcing the Pension Code. APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Gaylord announced the annual investment symposium would be held on Friday, September 30 from 8:00 a.m. to 3:00 p.m.

PIMCO

Chloe Kelley was at the meeting to present information regarding the performance of the Police Pension Fund's portfolio with PIMCO. As of the end of June, PIMCO had \$1.51 trillion in assets

under management, which is an increase from the previous quarter of \$1.5 trillion. An announcement was made recently, stating that the new CEO hire, Emmanuel Roman, will start on November 1, 2016. Ms. Kelley provided an update on the sub-advisor Research Affiliates, LLC. The All Asset fund strategy is designed to serve three rolls: provide high long-term returns (CPI + 5%) over the course of a full business cycle, provide diversification away from equities, and inflation protection for investors. Page 9 illustrates the Third Pillar focus. Diversification can be painful, but over time it helps smooth the overall return of the portfolio. Third Pillar assets through the end of June were up over 10%, bonds have done well, but stocks have lagged in the first half of the year.

Year to date the PIMCO fund returned 12%. Through yesterday the fund has continued with strong returns. The All Asset Fund is well positioned to provide attractive returns over the long-term business cycle. Ms. Kelley reviewed the ten year expectations for the fund. Page 24 illustrates the current positioning for the fund. PIMCO has increased emerging market equities over time, but has decreased commodity exposure. Inflation expectations have started to increase. Emerging markets have also performed better, both in equity and fixed income.

Motion by Mueller and seconded by Laue to change PIMCO status from "Alert" to "In Compliance".
APPROVED.

Ayes: Nielsen, Mueller, Stevens, Swanberg, and Laue

Nays: None

Motion to adjourn was made and seconded at 9:59 a.m.

A handwritten signature in dark ink, appearing to be 'J. Nielsen', with a long horizontal line extending to the right.